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SUBJECT: NO POLLING DIVIDEND FOR LABOUR FROM 2008 BUDGET

REF: WELLINGTON 168

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¶1. (SBU) Summary. Recent polling showed that the Labour Government's 2008 budget failed to provide any boost to its flagging popularity. In fact, Labour lost ground in all three post-budget polls as the opposition National Party gained support. PM Helen Clark also lost ground to National Party leader John Key in preferred Prime Minister polling. Although some of the Government's support parties, the Greens and New Zealand First, received a post-budget bounce, Labour's anticipated tax cut program was not enough to appeal to voters. With the economy foremost in voters' minds in 2008 and National delaying presentation of its own economic package, the election outcome is by no means decided, but increasingly Labour's prospects and options are narrowing. End Summary.

Labour Gets No Bounce for Budget 2008  
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¶2. (SBU) The results of three separate polls, the first after the Government's free-spending, tax-cutting May 20 budget, were a disappointment for the governing Labour Party (Reftel). Contrary to previous elections, the polls all show that Labour failed to receive any bounce from its election year budget goodies. In fact, Labour actually lost ground to the opposition National Party. In minimizing the bad news, Prime Minister Clark predicted that voters will not make up their minds until just before the election, when they realize that National will not be able to afford its economic policies.

Labour More Popular Before the Budget  
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¶3. (SBU) In the May 30 Herald Digi-Poll, where two-thirds of respondents were polled before the budget and almost one-third afterwards, the overall party vote showed that Labour dropped one point to trail National 51.5 percent to 36.2 percent. In this poll, Labour was actually more popular pre-budget than it was post-budget, dropping 1.2 percent in that period. PM Clark even dropped 3.6 points in the wake of the budget and continued to trail National Party leader John Key in the Preferred Prime Minister stakes.

¶4. (SBU) The June 1 Colmar Brunton poll, the country's most prominent political survey, also found that the plethora of new spending programs and long-awaited tax relief in the Budget did nothing to arrest Labour's downward trend, as it crashed six points to a very low 29 percent. National, on the other hand, ticked up one point to 55 percent. This 26-point gap is the biggest between the parties in the last seven years. Clark also suffered in personal polling dropping one point to 28 percent where Key gained a

point to grow his lead over her to 8 points.

15. (SBU) The 3 News - TNS poll, also released on June 1, echoed the previous two surveys in recording a drop in support for Labour. This poll showed Labour registered a drop of three points to 38 percent, while National gained two points to 50 percent. Asked their choice of PM, 35 percent of respondents choose Key (up six points) with 29 percent preferring Clark (down three points).

#### Support Parties are Budget Beneficiaries

16. (SBU) Although Labour did not get any post-budget bounce, two of its support parties did better. The polls showed that Foreign Minister Winston Peters' party, New Zealand First, was rewarded with an increase in post-budget voter support after it took credit for extra spending for the national superannuation scheme and law enforcement. The Green Party was also the recipient of some post-budget support after it claimed success for new environmental spending.

#### Comment

17. (SBU) Labour's poor polling in the post-budget period, where past governments have traditionally recorded a bounce, is one more worrying sign for the struggling Labour Party. This is especially troubling as polls consistently show that the economy is the electorate's most important issue in this election year. The National Party has not yet divulged details of its economic policy and the size of its much anticipated tax cut program (Senior National MPs have told us, they will only be released closer to the election scheduled for October/November). National's challenge will be to convince the public that they can manage the economy better than Labour by providing more tax cuts while not cutting back on

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popular government social programs or borrowing. At the moment, however, National is not feeling too pressed for details and continues to benefit from the Labour Party's inability to do anything to captivate the public's imagination. One pundit recently quipped that Helen Clark could announce a cure for cancer and it still would not push Labour up in the polls. With five months left before the election deadline, the outcome is by no means decided, but increasingly Labour's prospects and options are narrowing. End Comment.

McCormick